Elimination of subsidy by OECD

707. SHRI PRANAB MUKHERJEE : Will the Minister of STEEL be pleased to state:

(a) whether OECD (Organisation of Economic Cooperation and Development) has proposed to eliminate all specific subsidy for the steel industries for curbing the market distortions in international trade in steel;

(b) if so, what would be its impact on Indian steel industries; and

(c) whether India has made any effort to ensure support of other steel exporting countries like Brazil, Egypt, etc; if so, what are their response?

THE MINISTER OF STATE IN THE MINISTRY OF STEEL (SHRI BRAJ KISHORE TRIPATHY) (a) At the initiative of the OECD countries with interest in international steel trade have been deliberating upon issues relating to effectiveness of existing multilateral disciplines on market distorting measures relevant for trade in the steel sector. The proponents of the OECD steel deliberations are of the view that subsidies and related government support have caused and are causing significant distortions in the steel markets and these will be required to be reduced and where possible eliminated. Elements of a possible Steel Subsidy Agreement are being discussed by the participating countries.

(b) While remaining engaged in the negotiating process, India is primarily trying to preserve the special and differential treatment provisions available to the developing countries under the existing WTO Agreement on Subsidies and Countervailing Measures. These provisions enable India to provide crucial export incentives to the industry, and if these are preserved, there is not likely to be any significant impact on the Indian steel industry.

(c) Yes, Sir. However, there is divergence in the core interests of Egypt, Brazil and India. While India has been essentially trying to preserve the flexibility to provide export incentives available under Acticle 27 of the WTO Agreement on Subsidies and Countervailing Measures. Egypt's main interest is protecting its ability to provide assistance for re-structuring of the steel industry including its privatisation. Brazil's core interest lie in protecting their ability to provide assistance to correct deficiencies in their financial markets and aid to disadvantaged regions.